



KANSAS

OFFICE OF THE SECURITIES COMMISSIONER

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CHRIS BIGGS, COMMISSIONER

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Brokerage Firms Finalize Agreements to Settle Auction Rate Securities Case

Topeka, Kansas – Kansas Securities Commissioner Chris Biggs announced today that four brokerage firms have paid the State of Kansas more than \$5 million to settle allegations that the firms’ securities dealers misled Kansas investors about the safety of the auction-rate securities (ARS) market. In addition to the monetary penalties, the settlement agreements require the firms to complete and confirm their repurchase of auction-rate securities from clients.

The firms who have finalized settlement agreements with the Kansas Securities Commissioner are Banc of America Securities (\$2,834,089.62), Merrill Lynch (\$959,555.69) Wachovia Securities (\$633,090.35), and Citigroup Global Markets (\$600,143.78). According to Commissioner Biggs, similar settlement agreements with several other firms are expected in the coming months, although the amounts of fines have not yet been determined.

The fine amounts represent Kansas’ pro-rata share of settlements negotiated by a multistate task force of state regulators formed by the North American Securities Administrators Association (NASAA). During the investigation, regulators discovered that the firms’ securities dealers failed to adequately inform customers and train employees on the risks associated with buying auction-rate securities. Although marketed and sold to investors as safe, liquid, and cash-like investments, auction rate securities are actually long-term investments subject to a complex auction processes that failed in early 2008, leading to illiquidity and lower interest rates for investors.

“In conjunction with our colleagues from other states, we are holding these firms accountable for engaging in unethical behavior by selling auction rate securities to investors without full disclosure of the risks involved,” Biggs said. “These cases send a strong message that states will not tolerate unethical and unlawful behavior.”

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The Office of the Kansas Securities Commissioner is charged with administration and enforcement of the Kansas Uniform Securities Act. The Office investigates and prosecutes securities fraud, the offer or sale of unregistered securities, and the offer or sale of securities by unlicensed stockbrokers or investment advisers. For more information and investor education resources, visit www.ksc.ks.gov.

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